



Recommendation for Action

File #: 23-3330, **Agenda Item #:** 9.

11/30/2023

Posting Language

Approve a resolution amending the Family Business Loan Program guidelines and criteria, including modifications to increase the maximum loan amount and establish an approval process for proposed loans exceeding the maximum loan amount and modifications to increase the minimum amount of proposed loans under the Micro-loan Program.

Lead Department

Economic Development Department.

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

May 24, 2012- Council approved Resolution No. 20120524-015 creating the Family Business Loan Program ("FBLP"), and Ordinance 20120524-016 to authorize the FBLP's fees.

August 29, 2013- Council approved Resolution No. 20130829-027 authorizing the acceptance of \$8,000,000 in grant funds from the U.S. Department of Housing and Urban Development (HUD) Section 108 FBLP.

February 25, 2016- Council approved Resolution No. 20160225-013 authorizing issuance of a note and contract with HUD in an amount not to exceed \$3,000,000 to fund the program.

August 31, 2017- Council approved Resolution No. 20170831-010 authorizing issuance of a note and contract with HUD in an amount not to exceed \$5,000,000 to fund the program.

For More Information:

Sylvia Holt-Rabb, Director, Economic Development Department, 512-974-3131;
Xavier Zarate, Small Business Division Manager, Economic Development Department, 512-978-2502

Additional Backup Information:

Since approval of the FBLP guidelines and criteria on May 24, 2012 per Resolution No. 20120524-015, nationally all major cities including Austin have experienced increases in costs to complete small business development projects.

These costs include the cost of real estate acquisition, machinery and equipment, and development softs costs. In order to meet the current needs of business owners, staff is recommending a modification *to Section III Program Details Subsection B "Loan Amount and Required Owner's Equity"* of the FBLP guidelines and criteria to allow for an increase to the maximum loan amount and establish an approval process for proposed loans that would exceed the maximum loan amount. If approved by Council and subject to HUD approval, the maximum loan amount for any given project would be increased to 40% of the total project cost or up to \$4,000,000; whichever is lower. Proposed loans that exceed this maximum loan amount would be subject to the approval process set forth in the modified FBLP guidelines and criteria, including approvals by HUD and Council.

Due to an increase in processing costs for loans under the Micro-loan Program, modifications would also be made to increase the minimum amount of proposed loans from \$1,000 to \$10,000.

In addition, the modifications include updated language regarding the application fee, the loan interest rate, the contact information, and the responsible department. The name of the responsible department is being updated from its former name (Economic Growth and Redevelopment Services Office) to its current name (Economic Development Department).